

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Blendon Township	County Ottawa
Fiscal Year End 3/31/06	Opinion Date 7/13/06	Date Audit Report Submitted to State 8/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

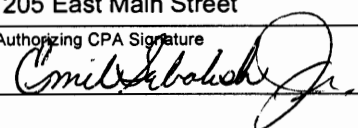
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kieover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
Zip 49464			
Authorizing CPA Signature 	Printed Name Emil Sabolish, Jr.	License Number 9304	

**BLENDON TOWNSHIP
OTTAWA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2006**

**KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan**

Blendon Township, Michigan
ANNUAL FINANCIAL REPORT
Year Ended March 31, 2006

TABLE OF CONTENTS

	Page
Independent Auditor's Report	I
Management's Discussion and Analysis	II
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Governmental Fund Financial Statements	
Balance Sheet	3
Statement of Revenue, Expenditures and Changes in Fund Balances	4
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	5
Fiduciary Fund Financial Statements	6
Notes to Financial Statements	7
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	16
Budgetary Comparison Schedule – Road Millage Fund	18
Budgetary Comparison Schedule – Fire Operating Fund	19
Budgetary Comparison Schedule – Fire Replacement Fund	20
Supplemental Data	
Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure	21



INDEPENDENT AUDITOR'S REPORT

July 13, 2006

Township Board
Blendon Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blendon Township, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Blendon Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Blendon Township, Michigan, as of March 31, 2006 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The information listed in the foregoing table of contents under the caption "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" was not examined by us and, accordingly, we express no opinion on it.

Kiekover, Scholma & Shumaker, PC
Certified Public Accountants

Management's Discussion and Analysis

As management of Blendon Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

Financial Highlights

- The assets of Blendon Township exceeded its liabilities at the close of the most recent fiscal year by \$4,740,013 (*net assets*). Of this amount, \$2,060,074 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$953,064. This is reflected in a net increase in capital assets of \$398,946, an increase in restricted net assets of \$322,010, and an increase in unrestricted net assets of \$232,108.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,771,203, an increase of \$344,313 in comparison with the prior year. Approximately 73% of this total amount, \$2,009,337, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,816,479 or 254% of total general fund expenditures and transfers out.
- The Township has no long-term debt obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The Township has no business-type activities.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories, governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road Millage Fund, Fire Operating Fund, and Fire Replacement Fund, which are considered to be major funds. The Township has one (1) nonmajor fund. This nonmajor fund (Inspections Fund) is a governmental fund.

The Township adopts an annual appropriated budget for its General Fund, Road Millage Fund, Fire Operating Fund, and Fire Replacement Fund. Budgetary comparison statements have been provided herein to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. Proprietary funds are used to report *business-type activities*. The Township has no business-type activities and therefore no proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The Township accounts for one type of fiduciary fund – two agency funds used to account for current tax collections and escrow deposits.

The basic fiduciary fund financial statement can be found on page 6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparisons for the Township's General Fund, Road Millage Fund, Fire Operating Fund, and Fire Replacement Fund found on pages 16-20 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Blendon Township, assets exceeded liabilities by \$4,740,013 at the close of the most recent fiscal year.

Approximately 36% of the Township's net assets reflect its investment in capital assets (e.g., land, infrastructure, buildings, vehicles, and equipment). The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the Township's net assets (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,060,074) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets.

The following table shows, in a condensed format, the net assets of Blendon Township as of March 31, 2006 and 2005.

TABLE 1 - Blendon Township's Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	\$ 3,059,367	\$ 2,499,071
Capital assets	1,703,062	1,304,116
Total assets	<u>4,762,429</u>	<u>3,803,187</u>
Other liabilities	<u>22,416</u>	<u>16,238</u>
Net assets:		
Invested in capital assets, net of related debt	1,703,062	1,304,116
Restricted	976,877	654,867
Unrestricted	<u>2,060,074</u>	<u>1,827,966</u>
Total net assets	<u>\$ 4,740,013</u>	<u>\$ 3,786,949</u>

Change in Net Assets – As shown in Table 2 (changes in net assets) the Township's total revenues were \$1,696,176 for the current year, of which 39.7% was obtained from property taxes. Charges for services accounted for another 8.5% of the total, capital grants and contributions 23.3%, and State shared revenues another 23.9 %. The balance of the Township's revenues was primarily derived from interest earnings and other sources. The total cost of all programs and services for the year ended March 31, 2006 was \$743,112. Township expenses cover a wide range of services. For the current fiscal year, about 42.7% of the Township's expenses related to general government services, 41.8% related to public safety, 11.2% related to public works, 3.2% related to community and economic development, and 1.1% related to recreation and culture.

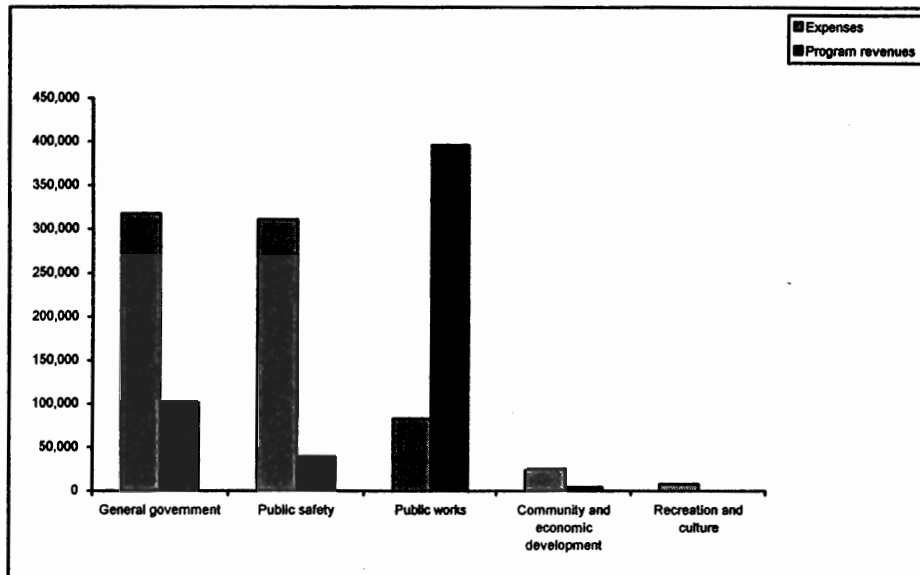
Net assets increased by \$953,064 for the Township's governmental activities.

The following analysis highlights the changes in net assets for the fiscal years ended March 31, 2006 and 2005.

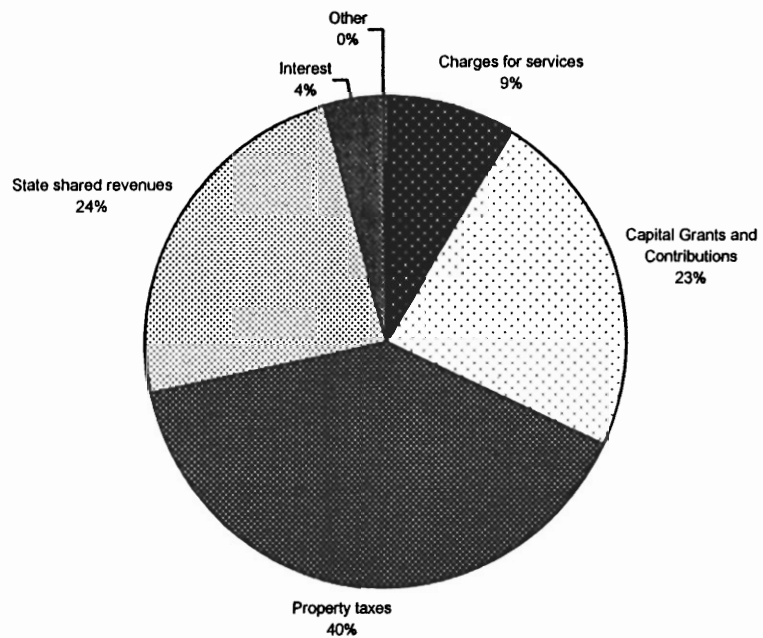
TABLE 2 - Blendon Township's Changes in Net Assets

	Governmental Activities	
	2006	2005
Program revenues		
Charges for services	\$ 144,349	\$ 153,647
Capital grants and contributions	396,066	-
General revenues		
Property taxes	674,201	624,212
State shared revenues	405,299	402,557
Interest	70,922	36,166
Other	5,339	2,187
Total revenues	<u>1,696,176</u>	<u>1,218,769</u>
Program expenses		
General government	317,478	263,834
Public safety	310,830	333,564
Public works	83,100	85,544
Community and economic development	23,912	24,874
Recreation and culture	7,792	7,593
Total expenses	<u>743,112</u>	<u>715,409</u>
Change in Net Assets	<u>\$ 953,064</u>	<u>\$ 503,360</u>

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Township's Funds

Governmental Funds - Our analysis of the Township's major funds begins on page 3, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for 2006 consist of the General Fund, Road Millage Fund, Fire Operating Fund, and Fire Replacement Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues for fiscal year 2006 increased by \$54,240 or 7.6%. Property tax revenues increased by \$13,371 or 1.9%. State shared revenues increased by \$2,106 or 0.3%. All other General Fund revenues increased by \$38,763.

General Fund expenditures increased in fiscal 2006 by \$118,796 or 29.9%. The most significant changes occurred in the categories of General Government, which increased due to higher costs for wages, and capital improvement projects during the year, and Public Safety, which increased due to higher costs for police services.

The March 31, 2006 fund balance of the general fund is \$1,816,479, which is all unreserved. This is an increase of \$131,097 from the prior year. The \$1,816,479 unreserved fund balance is approximately 254% of fiscal 2006 expenditures and operating transfers to other funds which amounted to \$716,115.

The Road Millage Fund is used to account for special taxes levied and other revenues restricted for road construction and improvements. Total Road Millage Fund revenues, consisting mainly of property taxes and special assessments, increased by \$203,989, or 88.2%, to \$435,320, due mainly to an increase in special assessments collected. There was also \$100,000 of transfers from the General Fund during the year compared to \$0 in the prior year. During the year the Road Millage Fund had \$353,494 in expenditures, compared to \$211,830 in the prior year, due to significant road paving or improvement projects in the current fiscal year. The March 31, 2006 fund balance of the Road Millage Fund is \$634,130, an increase of \$181,826 from the prior year.

The Fire Operating Fund is used to account for special taxes levied and other revenues restricted for fire department operating and related expenditures. Total Fire Operating Fund revenues, consisting mainly of property taxes, increased by \$9,001, or 11.5%, to \$87,280. There was also \$100,000 of transfers in from the General Fund during the year compared to \$115,000 in the prior year. Fire Operating Fund expenditures for the fiscal year were \$181,063, a decrease of \$39,599, or 17.9%, compared to the prior year. The largest decrease was for fire department salaries. The March 31, 2006 fund balance of the Fire Operating Fund is \$92,858, an increase of \$6,217 from the prior year.

The Fire Replacement Fund is used to account for special taxes levied and other revenues restricted for the purchase of new fire department equipment. Total Fire Replacement Fund revenues, consisting mainly of property taxes, increased by \$14,543, or 9.5%, to \$167,891. Fire Replacement Fund expenditures for the fiscal year were \$58,212 compared to \$673 in the prior year. The increase was primarily due to an increase in capital outlay expenditures. During the year the Fire Replacement Fund transferred \$79,528 to the General Fund to reimburse it for prior years purchases of fire equipment. The March 31, 2006 fund balance of the Fire Replacement Fund is \$183,863, an increase of \$30,151 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Budgeted expenditure amounts remained relatively consistent from the original to the final amended budget, with an increase in budgeted building and grounds expenses of approximately \$44,500 to reflect expected increase in expenditures due to Township Hall improvements. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$92,309 below the final budget. The General Fund's fund balance increased by \$131,097 compared to a budgeted increase of \$45,356.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$1,703,062 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and roads and sidewalks. The total increase in the Township's investment in capital assets for the current fiscal year was \$398,896 (30.6%).

During the fiscal year the Township had \$474,214 of capital expenditures. Major capital asset events during the current fiscal year include the following:

- \$43,566 expended for Township assembly hall renovations
- \$353,044 of road improvement projects
- \$30,000 purchase of a fire rescue vehicle

Additional information on the Township's capital assets can be found in note 3C on page 13 of this report.

Blendon Township's Capital Assets (net of depreciation)

	Governmental Activities	
	2006	2005
Land	\$ 21,636	\$ 21,636
Construction in progress	149,905	-
Buildings and improvements	486,547	462,087
Land improvements	19,957	18,648
Machinery, equipment, vehicles	806,167	801,795
Infrastructure	218,850	-
Total	<u>\$ 1,703,062</u>	<u>\$ 1,304,166</u>

Long-term debt. At the end of the current fiscal year, the Township had no long-term debt obligations.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for fiscal year ended March 31, 2007 calls for no change in the overall property tax rate of 3.9483 mills.

The 2006-2007 general fund budget reflects capital expenditures totaling \$370,000 for road improvements, improvements to the township hall, and renovation of the Borculo Community Center.

For the fiscal year ended March 31, 2007 budget, the Township appropriated \$363,001 of its general fund unreserved fund balance to avoid the need to raise taxes.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Supervisor's office.

Basic Financial Statements

Blendon Township, Michigan
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,683,585
Receivables:	
Taxes	40,977
Accounts	10,300
Special assessments	230,274
Due from other governments	94,231
Capital assets	<u>1,703,062</u>
 Total Assets	 <u>4,762,429</u>
 LIABILITIES	
Accounts payable	16,192
Accrued payroll	<u>6,224</u>
 Total Liabilities	 <u>22,416</u>
 NET ASSETS	
Invested in capital assets, net of related debt	1,703,062
Restricted for:	
Roads	749,141
Fire equipment	183,863
Construction code activities	43,873
Unrestricted	<u>2,060,074</u>
 Total Net assets	 <u>\$ 4,740,013</u>

Blendon Township, Michigan
STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

		Program Revenues		Net (Expense)
		Charges for	Capital	Revenue and
	Expenses	Services	Grants and	Changes in
			Contributions	Net Assets
Function/Programs:				Governmental
Primary Government:				Activities
Governmental Activities:				
General government	\$ 317,478	\$ 101,530	\$ -	\$ (215,948)
Public safety	310,830	38,581	-	(272,249)
Public works	83,100	-	396,066	312,966
Community and economic development	23,912	4,238	-	(19,674)
Recreation and culture	7,792	-	-	(7,792)
Total Governmental Activities	<u>\$ 743,112</u>	<u>\$ 144,349</u>	<u>\$ 396,066</u>	<u>(202,697)</u>
		General revenues:		
		Property taxes		674,201
		State shared revenues		405,299
		Interest		70,922
		Other		<u>5,339</u>
		Total General Revenues		<u>1,155,761</u>
		Change in Net Assets		953,064
		Net Assets - Beginning		<u>3,786,949</u>
		Net Assets - Ending		<u>\$ 4,740,013</u>

Blendon Township, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

	General Fund	Road Millage Fund	Fire Operating Fund	Fire Equipment Fund	Other Governmental Fund Inspections Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,786,992	\$ 608,606	\$ 75,241	\$ 169,097	\$ 43,649	\$ 2,683,585
Receivables:						
Taxes	10,486	17,821	4,223	8,447	-	40,977
Accounts	4,000	-	-	-	-	4,000
Special assessments	15,263	215,011	-	-	-	230,274
Due from other funds	-	11,041	18,295	7,360	529	37,225
Due from other governments	65,057	-	-	-	-	65,057
Total Assets	\$ 1,881,798	\$ 852,479	\$ 97,759	\$ 184,904	\$ 44,178	\$ 3,061,118
LIABILITIES						
Accounts payable	\$ 8,354	\$ 3,338	\$ 3,154	\$ 1,041	\$ 305	\$ 16,192
Accrued payroll	4,477	-	1,747	-	-	6,224
Due to other funds	37,225	-	-	-	-	37,225
Deferred revenue	15,263	215,011	-	-	-	230,274
Total Liabilities	65,319	218,349	4,901	1,041	305	289,915
FUND BALANCES						
Reserved for:						
Roads	-	534,130	-	-	-	534,130
Fire equipment	-	-	-	183,863	-	183,863
Construction code activities	-	-	-	-	43,873	43,873
Unreserved-reported in:						
General Fund	1,816,479	-	-	-	-	1,816,479
Special Revenue Funds	-	100,000	92,858	-	-	192,858
Total Fund Balances	1,816,479	634,130	92,858	183,863	43,873	2,771,203
Total Liabilities and Fund Balances	\$ 1,881,798	\$ 852,479	\$ 97,759	\$ 184,904	\$ 44,178	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

General capital assets	1,703,062
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures	29,174
Cable franchise fees receivable are not considered available to pay for current year expenditures	6,300
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	230,274

Net Assets of Governmental Activities \$ 4,740,013

Blendon Township, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended March 31, 2006

	General Fund	Road Millage Fund	Fire Operating Fund	Fire Replacement Fund	Other Governmental Fund Inspections Fund	Total Governmental Funds
Revenues:						
Taxes	\$ 223,746	\$ 249,108	\$ 83,036	\$ 166,071	\$ -	\$ 721,961
Licenses and permits	12,093	-	-	-	27,432	39,525
State shared revenues	407,083	-	-	-	-	407,083
Charges for services	20,644	-	-	-	-	20,644
Fines and forfeitures	1,249	-	-	-	-	1,249
Interest and rent	68,292	5,157	1,241	1,820	473	76,983
Other	34,577	181,055	3,003	-	291	218,926
Total Revenues	767,684	435,320	87,280	167,891	28,196	1,486,371
Expenditures:						
Current:						
General government	346,024	-	-	-	-	346,024
Public safety	41,711	-	181,063	58,212	33,174	314,160
Public works	78,941	353,494	-	-	-	432,435
Community and economic development	23,912	-	-	-	-	23,912
Recreation and culture	17,502	-	-	-	-	17,502
Insurance, bonds, and fringes	8,025	-	-	-	-	8,025
Total Expenditures	516,115	353,494	181,063	58,212	33,174	1,142,058
Excess of Revenues Over (Under) Expenditures	251,569	81,826	(93,783)	109,679	(4,978)	344,313
Other Financing Sources (Uses):						
Transfers in	79,528	100,000	100,000	-	-	279,528
Transfers out	(200,000)	-	-	(79,528)	-	(279,528)
Total Other Financing Sources (Uses)	(120,472)	100,000	100,000	(79,528)	-	-
Net Change in Fund Balances	131,097	181,826	6,217	30,151	(4,978)	344,313
Fund Balances - April 1	1,685,382	452,304	86,641	153,712	48,851	2,426,890
Fund Balances - March 31	\$ 1,816,479	\$ 634,130	\$ 92,858	\$ 183,863	\$ 43,873	\$ 2,771,203

Blendon Township, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

Net change in fund balances-Total Governmental Funds	\$ 344,313
--	------------

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	474,214
Current year depreciation expense on capitalized assets	(75,268)

Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources

State shared revenues	(1,784)
Cable franchise fees	300

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end

211,289

Change in net assets of governmental activities	<u>\$ 953,064</u>
---	-------------------

Blendon Township, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>690,742</u>
LIABILITIES	
Accounts payable	\$ 11,098
Due to other governments	<u>679,644</u>
 Total Liabilities	 \$ <u>690,742</u>

Blendon Township, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Blendon Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Blendon Township:

A. Reporting Entity

Blendon Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The township has no blended component units.

Discretely Presented Component Unit. The township has no discretely presented component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. (Blendon Township has no such business-type activities). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. (Blendon Township has no such component units.)

The statement of activities demonstrates the degree to which the direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

General Fund - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Millage (Special Revenue) Fund - The Road Millage Fund is used to account for tax revenues levied for purposes of funding road construction and maintenance.

Fire Operating (Special Revenue) Fund - The Fire Operating Fund is used to account for tax revenues levied for the purpose of funding fire department operating and related expenditures.

Fire Replacement (Special Revenue) Fund - The Fire Replacement Fund is used to account for tax revenues levied for the purpose of purchasing new fire department equipment.

Additionally, the township reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The township maintains separate cash accounts for each of its various funds.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, if any.

3. *Inventories and Prepaid Items.*

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-10
Vehicles	5-25
Roads and sidewalks	15-25

6. *Compensated Absences.*

It is the township's policy to permit certain employees to accumulate earned but unused sick and vacation pay benefits. If material, all vacation and sick pay is accrued in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

7. *Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2005 ad valorem tax was levied and collectible on December 1, 2005, and recognized as revenue during the year ended March 31, 2006, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2005 taxable equivalency valuation of the township totaled \$168,226,240 (\$168,079,869 ad valorem and \$146,371 abated property), on which taxes levied consisted of .9741 mills for operating purposes, .4957 mills for fire operating purposes, .9914 mills for fire equipment replacement, and 1.4871 mills for road maintenance purposes. This resulted in \$163,609 for operating purposes, \$83,259 for fire operating purposes, \$166,518 for fire equipment replacement, and \$249,777 for road maintenance purposes.

The above amounts are recognized in the General Fund, Fire Operating Fund, Fire Replacement Fund, and Road Millage Fund as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparisons of actual results of operations as compared to budget for the General Fund, Road Millage Fund, Fire Operating Fund, and Fire Replacement Fund are included in the required supplemental information.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments totaling \$3,374,327 were reported in the basic financial statements in the following categories.

The breakdown between deposits and investments is as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and investments	\$ 2,683,585	\$ 690,742

At year-end, all of the township's deposits and investments consisted of bank deposits (checking and savings accounts, certificates of deposit).

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$3,383,416 of which \$200,000 was covered by federal depository insurance and \$3,183,416 was exposed to custodial credit risk because it was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments, the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The township has no investment policy that limits its investment choices beyond those required by state law. At year-end, the township had no investments.

B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major fund and fiduciary fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Road Millage</u>	<u>Fire Operating</u>	<u>Fire Replacement</u>	<u>Total</u>
Receivables:					
Taxes	\$ 10,486	\$ 17,821	\$ 4,223	\$ 8,447	\$ 40,977
Accounts	4,000	-	-	-	4,000
Special assessments	15,263	215,011	-	-	230,274
Intergovernmental	<u>65,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,057</u>
Gross receivables	94,806	232,832	4,223	8,447	340,308
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 94,806</u>	<u>\$ 232,832</u>	<u>\$ 4,223</u>	<u>\$ 8,447</u>	<u>\$ 340,308</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 230,274</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 21,636	\$ -	\$ -	\$ -	\$ 21,636
Construction in progress	-	149,905	-	-	149,905
Subtotal	21,636	149,905	-	-	171,541
Capital Assets Being Depreciated					
Building and improvements	694,157	43,566	-	-	737,723
Land improvements	35,351	3,770	-	-	39,121
Machinery and equipment	213,875	10,914	-	-	224,789
Office furniture and equipment	49,944	-	-	-	49,944
Vehicles	951,237	43,500	-	-	994,737
Infrastructure	-	222,559	-	-	222,559
Subtotal	1,944,564	324,309	-	-	2,268,873
Less Accumulated Depreciation for					
Buildings and improvements	(232,070)	(19,106)	-	-	(251,176)
Land improvements	(16,703)	(2,461)	-	-	(19,164)
Machinery and equipment	(208,225)	(3,264)	-	-	(211,489)
Office furniture and equipment	(34,875)	(7,489)	-	-	(42,364)
Vehicles	(170,211)	(39,239)	-	-	(209,450)
Infrastructure	-	(3,709)	-	-	(3,709)
Subtotal	(662,084)	(75,268)	-	-	(737,352)
Net Capital Assets Being Depreciated	<u>1,282,480</u>	<u>249,041</u>	-	-	<u>1,531,521</u>
Governmental Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 1,304,116</u>	<u>\$ 398,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,703,062</u>

Depreciation expense was charged to programs of the township as follows:

Governmental Activities	
General government	\$ 15,765
Public safety	55,794
Public works	<u>3,709</u>
Total Governmental Activities	<u>\$ 75,268</u>

Construction Commitments-The township had construction commitments totaling \$1,076,110 at March 31, 2006, as discussed in note 4b.

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of March 31, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Millage	General	\$ 11,041
Fire Operating	General	18,295
Fire Equipment	General	7,360
Inspections	General	<u>529</u>
		<u>\$ 37,225</u>

The above amounts payable from the General Fund relate to general operating expenses paid by the receivable funds to be repaid by the General Fund.

Interfund transfers reported in the funds statements were as follows:

	<u>Transfers Out</u>	
	<u>General Fund</u>	<u>Fire Replacement Fund</u>
Transfers In:		
General Fund	\$ -	\$ 79,529 (1)
Road Millage Fund	100,000 (2)	-
Fire Operating Fund	<u>100,000 (3)</u>	<u>-</u>
	<u>\$ 200,000</u>	<u>\$ 79,529</u>

The following describes the nature of significant transfers:

- (1) Transfer from Fire Replacement Fund for reimbursement of fire equipment paid for by the General Fund in prior years
- (2) Transfer to Road Millage Fund for capital improvement purposes
- (3) Transfer from General Fund for annual operating purposes

E. Restricted Assets

The township has no restricted assets at March 31, 2006.

NOTE 4. OTHER INFORMATION

A. Risk Management

The township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The township has purchased full multi-peril insurance coverage underwritten by the Michigan Township Participating Plan. The township is fully insured for workers compensation claims by coverage underwritten by Accident Fund. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

B. Commitments

Construction in Progress. The township has active construction commitments as of March 31, 2006. The commitments relate to road improvement projects, and a Borculo Fire Station addition/Borculo Community Center renovation project. At March 31, 2006, the township's commitments with contractors are as follows:

	Remaining Construction Commitments
Road improvement projects	\$ 649,981
Borculo Fire Station addition/Borculo Community Center renovations	\$ 426,129

The township recognizes construction costs as a liability when performance has occurred under the contract. Until performance has occurred, the contract amounts remaining are considered to be a commitment and not a liability.

Required Supplementary Information

Blendon Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 230,195	\$ 244,861	\$ 223,746	\$ (21,115)
Licenses and permits	7,180	13,700	12,093	(1,607)
State shared revenues	407,364	411,906	407,083	(4,823)
Charges for services	16,900	21,169	20,644	(525)
Fines and forfeitures	500	1,135	1,249	114
Interest and rent	11,500	43,552	68,292	24,740
Other	28,593	47,752	34,577	(13,175)
Total Revenues	<u>702,232</u>	<u>784,075</u>	<u>767,684</u>	<u>(16,391)</u>
Expenditures:				
Current:				
General Government:				
Township board	102,201	102,201	99,868	2,333
Supervisor	26,333	26,333	24,481	1,852
Audit	10,000	20,200	20,970	(770)
Elections	10,475	11,153	682	10,471
Assessor	29,243	32,228	34,798	(2,570)
Attorney	20,000	23,540	27,523	(3,983)
Clerk	26,486	26,486	20,011	6,475
Board of review	1,678	1,678	1,291	387
Treasurer	32,074	32,074	25,603	6,471
Building and grounds	26,939	71,515	67,445	4,070
Cemetery	35,663	35,663	23,352	12,311
Total General Government	<u>321,092</u>	<u>383,071</u>	<u>346,024</u>	<u>37,047</u>
Public Safety:				
Police services	<u>46,111</u>	<u>46,111</u>	<u>41,711</u>	<u>4,400</u>
Public Works:				
Drains	23,500	23,500	4,871	18,629
Highways, streets, and bridges	60,000	60,000	57,330	2,670
Street lighting	10,000	10,000	8,634	1,366
Water system	<u>12,000</u>	<u>12,000</u>	<u>8,106</u>	<u>3,894</u>
Total Public Works	<u>105,500</u>	<u>105,500</u>	<u>78,941</u>	<u>26,559</u>

Blendon Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development:				
Planning commission	33,210	33,210	23,336	9,874
Zoning board of appeals	5,044	5,044	576	4,468
Total Community and Economic Development	38,254	38,254	23,912	14,342
Recreation and Culture:				
Borculo Community Center	23,488	23,488	17,502	5,986
Insurance, bonds & fringes:				
Employer FICA	-	-	124	(124)
Employee insurances	12,000	12,000	7,901	4,099
Total Insurance, Bonds, and Fringes	12,000	12,000	8,025	3,975
Contingencies	40,000	-	-	-
Total Expenditures	586,445	608,424	516,115	92,309
Excess of Revenues Over (Under) Expenditures	115,787	175,651	251,569	75,918
Other Financing Sources (Uses):				
Transfers in	-	79,528	79,528	-
Transfers out	(232,956)	(209,823)	(200,000)	9,823
Total Other Financing Sources (Uses)	(232,956)	(130,295)	(120,472)	9,823
Net Change in Fund Balances	(117,169)	45,356	131,097	85,741
Fund Balances - April 1	1,685,382	1,685,382	1,685,382	-
Fund Balances - March 31	\$ 1,568,213	\$ 1,730,738	\$ 1,816,479	\$ 85,741

Blendon Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD MILLAGE FUND
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 230,233	\$ 230,233	\$ 249,108	\$ 18,875
Interest	1,000	5,081	5,157	76
Other	-	110,000	181,055	71,055
Total Revenues	<u>231,233</u>	<u>345,314</u>	<u>435,320</u>	<u>90,006</u>
Expenditures:				
Current:				
Public works:				
Highways, streets, and bridges	<u>552,228</u>	<u>552,228</u>	<u>353,494</u>	<u>198,734</u>
Total Expenditures	<u>552,228</u>	<u>552,228</u>	<u>353,494</u>	<u>198,734</u>
Excess Of Revenues Over (Under) Expenditures	(320,995)	(206,914)	81,826	288,740
Other Financing Sources (Uses):				
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balances	(220,995)	(106,914)	181,826	288,740
Fund Balances - April 1	<u>452,304</u>	<u>452,304</u>	<u>452,304</u>	<u>-</u>
Fund Balances - March 31	<u>\$ 231,309</u>	<u>\$ 345,390</u>	<u>\$ 634,130</u>	<u>\$ 288,740</u>

Blendon Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FIRE OPERATING FUND
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Taxes	\$ 76,726	\$ 76,726	\$ 83,036	\$ 6,310
Interest	1,000	1,700	1,241	(459)
Other	600	3,360	3,003	(357)
Total Revenues	<u>78,326</u>	<u>81,786</u>	<u>87,280</u>	<u>5,494</u>
Expenditures:				
Current:				
Public Safety:				
Salaries	123,114	123,114	90,885	32,229
Social security	9,418	9,418	7,111	2,307
Supplies	2,050	2,950	2,518	432
Contracted services	3,700	6,114	15,287	(9,173)
Membership dues	4,500	4,500	4,055	445
Transportation	6,500	7,500	6,870	630
Insurance	24,000	26,000	25,956	44
Utilities	11,000	9,486	9,571	(85)
Telephone	4,500	4,500	3,594	906
Repairs and maintenance	15,000	15,000	14,595	405
Miscellaneous	<u>7,500</u>	<u>2,700</u>	<u>621</u>	<u>2,079</u>
Total Expenditures	<u>211,282</u>	<u>211,282</u>	<u>181,063</u>	<u>30,219</u>
Excess of Revenues Over (Under) Expenditures	(132,956)	(129,496)	(93,783)	35,713
Other Financing Sources (Uses):				
Transfers in	<u>132,956</u>	<u>132,956</u>	<u>100,000</u>	<u>(32,956)</u>
Net Change in Fund Balances	-	3,460	6,217	2,757
Fund Balances - April 1	<u>86,641</u>	<u>86,641</u>	<u>86,641</u>	<u>-</u>
Fund Balances - March 31	<u>\$ 86,641</u>	<u>\$ 90,101</u>	<u>\$ 92,858</u>	<u>\$ 2,757</u>

Blendon Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FIRE REPLACEMENT FUND
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Taxes	\$ 153,466	\$ 153,466	\$ 166,071	\$ 12,605
Interest	300	2,000	1,820	(180)
Other	100	3,215	-	(3,215)
Total Revenues	<u>153,866</u>	<u>158,681</u>	<u>167,891</u>	<u>9,210</u>
Expenditures:				
Current:				
Public Safety:				
Supplies	6,000	6,000	4,195	1,805
Contracted services	450	450	450	-
Repairs and maintenance	3,000	3,000	1,833	1,167
Miscellaneous	15,000	5,000	3,500	1,500
Capital Outlay	<u>10,000</u>	<u>50,000</u>	<u>48,234</u>	<u>1,766</u>
Total Expenditures	<u>34,450</u>	<u>64,450</u>	<u>58,212</u>	<u>6,238</u>
Excess of Revenues Over (Under) Expenditures	<u>119,416</u>	<u>94,231</u>	<u>109,679</u>	<u>15,448</u>
Other Financing Sources (Uses):				
Transfers out	<u>(79,528)</u>	<u>(79,528)</u>	<u>(79,528)</u>	<u>-</u>
Net Change in Fund Balances	39,888	14,703	30,151	15,448
Fund Balances - April 1	<u>153,712</u>	<u>153,712</u>	<u>153,712</u>	<u>-</u>
Fund Balances - March 31	<u>\$ 193,600</u>	<u>\$ 168,415</u>	<u>\$ 183,863</u>	<u>\$ 15,448</u>

Other Supplemental Data

**SECURITIES AND EXCHANGE COMMISSION
RULE 15c2-12 CONTINUING DISCLOSURE**

**Blendon Township
HISTORICAL STATE EQUALIZED VALUATION
AND COMPONENTS OF STATE EQUALIZED VALUE**

Year*	Historical State Equalized Valuation	Total SEV
1996		\$ 102,540,500
1997		110,812,310
1998		126,059,900
1999		143,307,800
2000		152,813,800
2001		175,426,400
2002		188,327,200
2003		204,210,300
2004		219,180,500
2005		238,642,800

	Components of State Equalized Value				
	2005	2004	2003	2002	2001
Agricultural	\$ 49,351,500	\$ 47,439,500	\$ 44,886,900	\$ 41,775,700	\$ 36,148,900
Commercial	4,455,600	4,181,500	4,108,600	3,235,000	2,875,500
Industrial	2,696,400	2,664,800	2,515,300	2,616,200	2,293,800
Residential	<u>176,286,200</u>	<u>158,863,100</u>	<u>146,031,400</u>	<u>134,182,800</u>	<u>127,853,900</u>
Total Real Property	232,789,700	213,148,900	197,542,200	181,809,700	169,172,100
Total Personal Property	<u>5,853,100</u>	<u>6,031,600</u>	<u>6,668,100</u>	<u>6,517,500</u>	<u>6,254,300</u>
Total SEV	<u>\$ 238,642,800</u>	<u>\$ 219,180,500</u>	<u>\$ 204,210,300</u>	<u>\$ 188,327,200</u>	<u>\$ 175,426,400</u>

Components of 2005 Taxable Value	
Agricultural	\$ 23,647,104
Commercial	3,509,610
Industrial	1,550,407
Residential	<u>133,519,648</u>
Total Real Property	162,226,769
Total Personal Property	<u>5,853,100</u>
TOTAL TAXABLE VALUE	<u>\$ 168,079,869</u>

* Taxes are levied December 1 and recognized as revenue in the fiscal year ending the following March 31.

Blendon Township
MAJOR TAXPAYERS AND TAX RATES

Major Taxpayers

<u>Taxpayer</u>	<u>Product/Service</u>	<u>2005 Taxable Value</u>	<u>Percentage of Total 2005 Taxable Value</u>
Consumers Energy Company	Utility	\$ 2,199,133	1.31%
Semco Energy Company	Utility	1,137,100	0.68%
Robert Sawyer	Residence	1,074,594	0.64%
Buist Greenhouses	Flowers	823,131	0.49%
BCM Realty	Real Estate	745,851	0.44%
Kent Vande Vrede	Residence	684,805	0.41%
MI Electric Trans. Co., LLC	Utility	683,800	0.41%
Pinetree Leasing, LLC	Real Estate	495,496	0.29%
Dykema, Schut & Schut, LLC	Development	486,975	0.29%
Sawyer Leasing, LLC	Real Estate	462,529	0.28%

The above taxpayers represent 5.2317% of the total 2005 Taxable Value of the Township.

Tax Rates¹
(Per \$1,000 of Taxable Value)

<u>Fiscal Year</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Blendon Township:					
Operating	0.9741	0.9826	0.9894	0.9973	1.0085
Fire Operating	0.4957	0.4833	0.4867	1.4720	0.4962
Fire Replacement	0.9914	0.9668	0.9736	0.9813	0.9924
Roads	1.4871	1.4503	1.4603	1.4720	-
Ottawa County Operating	3.5000	3.5000	3.4000	3.4000	3.5000
Ottawa County E-911	0.4411	0.4419	0.4429	0.4464	0.4493
Ottawa County Parks	0.3168	0.3174	0.3182	0.3208	0.3229
Intermediate School District	4.2109	4.2192	4.2305	4.2688	4.2854
Public Schools ^{2,3}	9.0000	9.0000	9.0000	9.0000	9.0000
State Education Tax	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
 Total	 <u>27.4171</u>	 <u>27.3615</u>	 <u>27.3016</u>	 <u>28.3586</u>	 <u>26.0547</u>

¹Taxes levied December 1 of prior year.

²Two local school districts fall within the boundaries of the Township. They are Hudsonville and Zeeland School Districts. The rates shown are the highest any resident of the Township would pay.

³This is the rate for homesteads, the non-homestead rate is 26.00

**Blendon Township
TAX COLLECTIONS**

Year*	Tax Levy	Collections to March 1 Each Year	
		Amount	%
1996	247,767	227,159	91.68%
1997	275,542	255,247	92.63%
1998	287,248	273,924	95.36%
1999	308,855	287,641	93.13%
2000	331,822	312,061	94.04%
2001	539,051	501,259	92.99%
2002	565,731	532,982	94.21%
2003	630,481	596,623	94.63%
2004	661,786	628,475	94.97%
2005	711,069	674,514	94.86%

*Taxes are levied December 1 and recognized as revenue in the fiscal year ending the following March 31.

**GENERAL FUND REVENUES AND EXPENDITURES
(Years Ended March 31)**

	2006	2005	2004	2003	2002
Revenues	\$ 767,684	\$ 713,444	\$ 695,631	\$ 733,634	\$ 789,933
Expenditures	<u>516,115</u>	<u>397,319</u>	<u>475,521</u>	<u>527,200</u>	<u>489,484</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	251,569	316,125	220,110	206,434	300,449
Other financing Sources (Uses):					
Operating Transfers In	79,528	153,160	98,188	10,167	15,828
Operating Transfers Out	(200,000)	(115,000)	(122,500)	(453,716)	(64,378)
Fund Balance, April 1	1,685,382	1,277,919	1,082,121	1,319,236	1,067,337
Restatement Adjustment	<u>-</u>	<u>53,178</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, March 31	<u>\$ 1,816,479</u>	<u>\$ 1,685,382</u>	<u>\$ 1,277,919</u>	<u>\$ 1,082,121</u>	<u>\$ 1,319,236</u>

Blendon Township
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

Direct Bonded Indebtedness

No direct bonded indebtedness at March 31, 2006

Overlapping Bonded Indebtedness

<u>Municipality</u>	<u>Total Debt</u>		<u>Blendon Township's Share</u>
Hudsonville School District	\$ 76,252,481	10.06%	\$ 7,671,000
Zeeland School District	101,090,000	6.50%	6,570,850
Ottawa County	23,230,000	1.98%	459,954
Ottawa Area Intermediate School District	7,485,000	1.74%	<u>130,239</u>
Net Overlapping Debt			<u>\$ 14,832,043</u>
Net Direct and Overlapping Debt			<u>\$ 14,832,043</u>

Summary of Direct and Overlapping Debt

Population (2000 Estimate)	5,721
2005 Actual Valuation (True Cash Value)	\$ 167,990,421
2005 SEV	\$ 219,180,500
2005 Taxable Value	\$ 168,079,869
Per Capita SEV	\$ 38,312
Per Capita Taxable Value	\$ 29,379
Net Direct Debt	\$ -
Per Capita	\$ -
Ratio to 2005 Taxable Value	0.00%
Ratio to 2005 SEV	0.00%
Ratio to 2005 True Cash Value	0.00%
Net Direct and Overlapping Debt	\$ 14,832,043
Per Capita	\$ 2,592.56
Ratio to 2005 Taxable Value	8.82%
Ratio to 2005 SEV	6.77%
Ratio to 2005 True Cash Value	8.83%

The Township has never defaulted on payment of its bonded indebtedness.

Bonded Debt Limit

There is no bonded debt limit for general law townships under the State Constitution and laws.

Blendon Township
INDEBTEDNESS OUTSTANDING FOR THE LAST FIVE YEARS

<u>Year</u>	<u>Debt Outstanding on March 31</u>
2002	78,698
2003	40,298
2004	-
2005	-
2006	-



July 13, 2006

Mr. Dale Vredeveld
Supervisor
Blendon Township

In planning and performing our audit of the financial statements of Blendon Township for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted the following matters involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect Blendon Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We believe the following are reportable conditions as defined above.

1. Currently, only the signature of the treasurer is required on checks written from the Township's Tax Collection Fund checking account. The treasurer is also responsible for all accounting records and transactions related to this checking account and the Tax Fund. We recommend that dual signatures be required for all Tax Fund checks (as well as for any other checking accounts the Township may maintain that do not already require such dual signatures).
2. The State of Michigan recommended budget for the general fund and special revenue funds must include for each fund:
 - Actual expenditures for the most recently completed fiscal year
 - Estimated expenditures for the current fiscal year
 - An estimate of the expenditures in the next fiscal year
 - Actual revenue for the most recently completed fiscal year
 - Estimated revenue for the current fiscal year
 - An estimate of the revenue in the next fiscal year
 - Beginning and ending fund balance for each year
 - An estimate of the amounts needed for deficiency, contingent, or emergency purposes

Currently, the Township's budgets are not in the State of Michigan required format.

3. Cash accounts are not being reconciled in a timely manner. We recommend that the Township's bank accounts be reconciled to the general ledger balances on a monthly basis to help ensure that all receipts, disbursements, transfers, and other reconciling items are recorded on a timely basis, and to ensure the accuracy of the Township's cash balances and financial position.
4. The Township is not following procedures to ensure that tax payments are made timely and accurately. We recommend the Township follow its procedures for making tax payments to ensure that payments are made timely and accurately. This will also assist with the timely reconciliation of cash accounts.

Blendon Township
July 13, 2006
Page 2

5. During the performance of audit procedures, we noted that certain transactions were not recorded to the general ledger. We recommend that all transactions be recorded to the general ledger on a timely basis to help ensure the accuracy of the Township's cash balances and financial position, and to assist with the timely reconciliation of all bank accounts to the general ledger.

Very truly yours,

Kiekover, Scholma & Shumaker, PC